Report of the auditor-general to the Free State Provincial Legislature and council on the Mohokare Local Municipality

Report on the audit of the financial statements

Disclaimer of opinion

1. I was engaged to audit the financial statements of the Mohokare Local Municipality set out on pages xx to xx, which comprise the statement of financial position as at 30 June 2025, statement of financial performance, statement of changes in net assets, cash flow statement and statement of comparison of budget and actual amounts for the year then ended, as well as notes to the financial statements, including a summary of significant accounting policies.
2. I do not express an opinion on the financial statements of the Mohokare Local Municipality. Because of the significance of the matters described in the basis for disclaimer of opinion section of this auditor's report, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

Property, plant and equipment

3. I was unable to obtain sufficient appropriate audit evidence for infrastructure assets, infrastructure work in progress, buildings, movable assets and community facilities included in property, plant and equipment in note 11 to the financial statements due to material reconciling differences identified between the underlying asset registers and the financial statements. I was unable to confirm these property, plant and equipment by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to property, plant and equipment stated at R638 874 588 (2024: R637 709 653) in note 11 to the financial statements.
4. In addition, the municipality did not account for infrastructure assets and infrastructure-work in progress included in property, plant and equipment in note 11 to the financial statements in accordance with GRAP 17, *Property, plant and equipment*. This was because the municipality incorrectly capitalised project expenditure on projects that were not completed during the current year. Consequently, infrastructure assets were overstated by R8 003 000 and infrastructure work in progress was understated by the same amount. I was also unable to determine the full extent of the misstatement to the depreciation and amortisation stated at R22 203 416 in note 29 to the financial statements and accumulated depreciation and accumulated impairment stated at R526 220 981 in note 11 to the financial statements, as it was impracticable to do so. Additionally, there was an impact on the deficit for the year and the accumulated surplus.
5. Furthermore, the municipality did not record all infrastructure work in progress included in property, plant and equipment in note 11 to the financial statements in accordance with GRAP 17, *Property, plant and equipment*, as the municipality did not record all project related

expenditure in the underlying asset registers and financial statements. Consequently, infrastructure-work in progress included in property, plant and equipment in note 11 to the financial statements was understated by R3 102 682 and trade payables included in payables from exchange transactions in note 13 to the financial statements were understated by the same amount.

6. Moreover, the municipality did not review the useful lives of community facilities, buildings, land and infrastructure assets as required by the accounting standard. Consequently, community facilities, buildings, land and infrastructure assets with a gross carrying amount of R6 660 492 for community facilities, R1 667 122 for buildings, R116 736 for land and R44 278 747 for infrastructure assets had a zero net carrying amount while still being in use. I was unable to determine the impact on the net carrying amount of community facilities, buildings, land and infrastructure assets stated at R323 932 386 in note 11 to the financial statements, as it was impracticable to do so. Additionally, there was an impact on depreciation and amortisation, the deficit for the year and the accumulated surplus.

7. The municipality also did not account for all land, building and community facilities in accordance with GRAP 17, *Property, plant and equipment* and GRAP 16, *Investment property*. This was due to the municipality not recording all land, building and community facilities under its control in the fixed asset registers and the financial statements. Consequently, I was unable to determine the full extent of the understatement to land, building and community assets included in property, plant and equipment stated at R40 229 176 in note 11 to the financial statements and investment properties stated at R53 985 697 in note 10 to the financial statements, as it was impractical to do so.

8. The municipality also did not correctly disclose property, plant and equipment, as the municipality did not disclose the capital expenditure incurred for repairs and maintenance relating to property, plant and equipment in note 11 of the financial statements, as required by the accounting standard. Consequently, I have not included the omitted information in this auditor's report, as it was impracticable to do so.

Payables from exchange transactions

9. I was unable to obtain sufficient appropriate audit evidence for the trade payables, other payables, payments received in advanced, unallocated deposits, retentions, staff salaries and third parties included in payable from exchange transactions in note 13 to the financial statements due to the non-submission of information in support of these payables. In addition, material reconciling differences were identified between the creditors' listing and the financial statements. I was unable to confirm these payables from exchange transactions by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the trade payables, other payables, payments received in advanced, unallocated deposits, retentions, staff salaries and third parties included in payables from exchange transactions stated at R321 107 970 (2024: R242 866 879) in note 13 to the financial statements.

10. The municipality did not account for staff salaries and third parties included in payables from exchange transactions in accordance with GRAP 1, *Presentation of financial statements* and GRAP 104, *Financial instruments*, as the municipality did not record all the liabilities for the current year. Consequently, staff salaries and third parties included in payables from exchange

transactions in note 13 to the financial statements were understated by R65 225 444 and employee related costs in note 27 to the financial statements were understated by the same amount. Additionally, there was an impact on the deficit for the year and the accumulated surplus.

Service charges

11. I was unable to obtain sufficient appropriate audit evidence for service charges due to material reconciling differences identified between the billing reports and the financial statements and the non-submission of information in support of these service charges. I was unable to confirm the service charges by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to service charges stated at R88 375 672 (2024: R94 269 966) in note 19 to the financial statements.
12. In addition, the municipality did not account for service charges in accordance with GRAP 9, *Revenue from exchange transactions,* as the municipality did not bill all properties, while other consumers were not billed at the approved tariffs for service charges in the current and prior years. I was unable to determine the full extent of the misstatements to service charges stated at R88 375 672 (2024: R94 269 966) in note 19 to the financial statements and receivables from exchange transactions stated at R19 074 800 (2024: R18 185 159) in note 4 to the financial statements, as it was impracticable to do so.

Unauthorised expenditure

13. The municipality did not disclose all instances of unauthorised expenditure incurred for the current and prior years in the notes to the financial statements, as required by section 125(2)(d) of the Municipal Finance Management Act 56 of 2003 (MFMA). This was because the municipality incurred unauthorised expenditure as a result of overspending of the budget, and conditional grants that were not spent for their intended purposes, which were not disclosed. Consequently, I was unable to determine the full extent of the misstatement to unauthorised expenditure stated at R548 659 284 (2024: R483 293 189) in note 45 to the financial statements, as it was impracticable to do so.

Receivables from exchange transactions

14. I was unable to obtain sufficient appropriate audit evidence for gross balance consumer debtors - housing rental and electricity, provision for impairment - housing rental and electricity included in the receivables from exchange transactions in note 4 to the financial statements and debt impairment included in note 32 of the financial statements, due to the non-submission of information in support of these receivables. I was unable to confirm the consumer debtors – housing rental and electricity, provision for impairment housing rental and electricity and debt impairment by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the net amount for consumer debtors - housing rental and electricity included in receivables from exchange transactions stated at R157 749 and R10 368 840 in note 4 of the financial statements, respectively.
15. During 2024, I was unable to obtain sufficient appropriate audit evidence for the receivables from exchange transactions due to unreconciled material differences between the debtor's age

analysis and the amounts recorded in the financial statements. I was unable to confirm the receivables from exchange transactions by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the receivables from exchange transactions, stated at R18 185 159 in note 4 of the financial statements. My audit opinion on the financial statements for the period ended 30 June 2024 was modified accordingly. My opinion on the current year's financial statements is also modified because of the possible effect of this matter on the comparability of the receivables from exchange transactions for the current period.

Irregular expenditure

16. I was unable to obtain sufficient appropriate audit evidence for the irregular expenditure, as the municipality processed adjustments to irregular expenditure that could not be supported by adequate supporting evidence. I was unable to confirm the irregular expenditure by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to irregular expenditure stated at R258 853 980 in note 47 to the financial statements.
17. The municipality did not disclose all instances of irregular expenditure incurred for the current and prior years in the notes to the financial statements, as required by section 125(2)(d) of the MFMA. The municipality made payments in the current and prior years in contravention of supply chain management (SCM) requirements, which were not disclosed. Consequently, I was unable to determine the full extent of the understatement to the irregular expenditure, stated at R258 853 980 (2024: R261 966 602) in note 47 to the financial statements, as it was impractical to do so.

Commitments

18. I was unable to obtain sufficient appropriate audit evidence for commitments, due to the non-submission of information in support of these commitments. I was unable to confirm the commitments by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to commitments stated at R103 782 719 (2024: R93 953 791) in note 40 to the financial statements.
19. In addition, the municipality did not account for commitments in accordance with GRAP 17, *Property, plant and equipment,* as the municipality did not disclose all commitments in the financial statements. Consequently, commitments were understated by R70 617 388 (2024: R98 611 385) in note 40 to the financial statements.

Bad debts written off and debt impairment

20. I was unable to obtain sufficient appropriate audit evidence for bad debts written off included in bad debts written off and debt impairment in note 32 to the financial statements, as the municipality did not provide adequate supporting evidence to confirm the council's approval of the debt write off. I was unable to confirm the bad debts written off by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the bad debts written off included in bad debts written off and debt impairment stated at R32 815 183 in note 32 to the financial statements.

21. I was unable to obtain sufficient appropriate audit evidence for the debt impairment included in bad debts written off and debt impairment in note 32 of the financial statements, due to the non-submission of information in support of these debt impairments. I was unable to confirm the debt impairment by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the debt impairment included in bad debts written off and debt impairment, stated at R90 537 411, included in note 32 to the financial statements.

22. During 2024, I was unable to obtain sufficient appropriate audit evidence for debt impairment included in bad debts written off and debt impairment in note 32 to the financial statements, due to material reconciling differences identified between the debtor's age analysis and the financial statements. I was unable to confirm the debt impairment by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the debt impairment included in bad debts written off and debt impairment stated at R90 311 949 in note 32 to the financial statements. My audit opinion on the financial statements for the period ended 30 June 2024 was modified accordingly. My opinion on the current year's financial statements is also modified because of the possible effect of this matter on the comparability of debt impairment included in bad debts written off and debt impairment in note 32 to the financial statements for the current period.

Interest billed on outstanding debtors – exchange transactions

23. During 2024, I was unable to obtain sufficient appropriate audit evidence for the interest billed on outstanding debtors from exchange transactions due to the status of the accounting records. I was unable to confirm the interest billed on outstanding debtors from exchange transactions by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the interest billed on outstanding debtors from exchange transactions, stated at R37 949 261 in note 21 to the financial statements. My audit opinion on the financial statements for the period ended 30 June 2024 was modified accordingly. My opinion on the current year's financial statements is also modified because of the possible effect of this matter on the comparability of the interest billed on outstanding debtors from exchange transactions for the current period.

Going concern

24. The municipality did not disclose the going concern in accordance with GRAP 1, *Presentation of financial statements.* This was because the municipality did not disclose the identified events or conditions that may cast significant doubt over the municipality's ability to continue as a going concern as required by the standard. Consequently, I have not included the omitted information in this auditor's report, as it was impracticable to do so.

Other financial liabilities

25. I was unable to obtain sufficient appropriate audit evidence for the other financial liabilities, due to material reconciling differences between the trial balance and the financial statements. I was unable to confirm the other financial liabilities by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the other financial liabilities stated at R81 637 457 (2024: R81 637 457) in note 17 to the financial statements.

Receivables from non-exchange transactions

26. I was unable to obtain sufficient appropriate audit evidence for the receivables from non-exchange transactions, as material reconciling differences were identified between the debtor's age analysis and the financial statements. I was unable to confirm the receivables from non-exchange transactions by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the receivables from non-exchange transactions stated at R3 039 196 (2024: R6 329 821) in note 5 to the financial statements.

Investment property

27. I was unable to obtain sufficient appropriate audit evidence for the investment property, as the municipality could not provide adequate supporting evidence to confirm the fair value of the investment properties. I was unable to confirm the investment property by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the investment property, stated at R53 985 697 (2024: R53 985 697) in note 10 to the financial statements.
28. Furthermore, the municipality incorrectly recorded land that did not meet the definition of investment properties in the investment property asset register and the financial statements. Consequently, this resulted in an overstatement of investment property in note 10 to the financial statements by R3 025 430 and an understatement of land included in property, plant and equipment in note 11 to the financial statements by the same amount.

Fruitless and wasteful expenditure

29. I was unable to obtain sufficient and appropriate audit evidence for fruitless and wasteful expenditure, as the municipality recorded fruitless and wasteful expenditure on the prior year's closing balance that could not be supported by adequate supporting evidence, which also impacted the current year's closing balances. I was unable to confirm this disclosure by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to fruitless and wasteful expenditure stated at R44 281 581 (2024: R100 299 286) disclosed in note 46 to the financial statements.
30. The municipality did not disclose all instances of fruitless and wasteful expenditure incurred in the notes to the financial statements in the prior year as required by section 125(2)(d) of the MFMA, which also impacted the current year balances. The municipality incurred interest on late payments and expenditure on some capital projects where the goods and services were not received, which was not disclosed. Consequently, I was unable to determine the full extent of the understatement to the fruitless and wasteful expenditure, stated at R44 281 581 (2024: R100 299 286) in note 46 to the financial statements, as it was impractical to do so.

Cash flows from operating activities

31. The municipality did not prepare and disclose the net cash flows from operating activities, as required by GRAP 2, *Cash flow statements*. This was due to multiple errors in determining the cash flows from operating activities. I was not able to determine the full extent of the errors in the net cash flows from operating activities, as it was impracticable to do so. Consequently, I

was unable to determine whether any adjustments were necessary to cash flows from operating activities stated at R19 458 680 (2024: R12 908 034) in the financial statements.

Cash flows from investing activities

32. The municipality did not prepare and disclose the net cash flows from investing activities, as required by GRAP 2, *Cash flow statements*. This was due to multiple errors in determining the cash flows from investing activities. I was not able to determine the full extent of the errors in the net cash flows from investing activities, as it was impracticable to do so. Consequently, I was unable to determine whether any adjustments were necessary to cash flows from investing activities stated at R17 865 836 (2024: R25 886 297) in the financial statements.

Unspent conditional grants

33. During 2024, the municipality did not account for unspent conditional grants for the corresponding year in accordance with GRAP 23, *Revenue from non-exchange transactions,* due to material differences being identified between the amounts recorded in the financial statements and the auditor's recalculations. Consequently, unspent conditional grants in note 16 to the financial statements were overstated by R9 357 595 and the government grants and subsidies in note 26 to the financial statements were understated by R9 357 595. Additionally, there was an impact on the deficit for the year and the accumulated surplus. My audit opinion on the financial statements for the period ended 30 June 2024 was modified accordingly. My opinion on the current year's financial statements is also modified because of the possible effect of this matter on the comparability of the unspent conditional grants for the current period.

VAT receivables

34. The municipality did not account for VAT receivables in accordance with GRAP 108, *Statutory receivables*, due to differences identified between the VAT 201 forms and the financial statements. Furthermore, the accrual for future VAT assets and liabilities was incorrectly set off against the VAT receivables, in contravention of the accounting standard. Consequently, I was unable to determine the full extent of the misstatements to the VAT receivables, stated at R16 453 670 (2024: R11 972 881) in note 6 to the financial statements.
35. During 2024, I was unable to obtain sufficient appropriate audit evidence for the VAT receivables due to the non-submission of information in support of these receivables. I was unable to confirm the VAT receivables by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the VAT receivables, stated at R11 972 881 in note 6 to the financial statements. My audit opinion on the financial statements for the period ended 30 June 2024 was modified accordingly. My opinion on the current year's financial statements is also modified because of the possible effect of this matter on the comparability of the VAT receivables for the current period.

Finance costs

36. I was unable to obtain sufficient appropriate audit evidence for finance costs due to the non-submission of information to support these expenses. I was unable to confirm the finance costs by alternative means. Consequently, I was unable to determine whether any

adjustments were necessary to finance costs stated at R15 442 617 (2024: R9 972 671) in note 30 to the financial statements.

37. In addition, the municipality did not account for finance costs in accordance with GRAP 1, *Presentation of financial statements*, as the municipality did not record all finance costs incurred in the current year. Consequently, finance costs in note 30 to the financial statements were understated by R9 595 335 and trade payables included in payables from exchange transactions in note 13 to the financial statements were understated by the same amount. Additionally, there was an impact on the deficit for the year and the accumulated surplus.

General expenses

38. I was unable to obtain sufficient appropriate audit evidence for the general expenses due to the non-submission of information to support these expenses. I was unable to confirm this expenditure by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the general expenses stated at R23 513 887 in note 35 to the financial statements.

39. During 2024, I was unable to obtain sufficient appropriate audit evidence for the chemicals, rental of machinery and equipment, telephone and fax, fuel and oil, and insurance included in general expenses in note 35 to the financial statements, due to the non-submission of information to support these expenses. I was unable to confirm these expenditures by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the chemicals stated at R4 793 878, rental of machinery and equipment stated at R6 662 278, telephone and fax stated at R2 598 672, fuel and oil stated at R836 760, and insurance stated at R509 494 in note 35 to the financial statements. My audit opinion on the financial statements for the period ended 30 June 2024 was modified accordingly. My opinion on the current year's financial statements is also modified because of the possible effect of this matter on the comparability of the chemicals, rental of machinery and equipment, telephone and fax, fuel and oil, and insurance included in general expenses in note 35 to the financial statements for the current period.

Property rates

40. I was unable to obtain sufficient appropriate audit evidence for property rates due to the non-submission of information in support of these revenues. I was unable to confirm the property rates by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to the property rates stated at R15 093 669 in note 25 to the financial statements.

41. During 2024, the municipality did not account for property rates in accordance with GRAP 23, *Revenue from non-exchange transactions,* as the consumers were billed based on incorrect tariffs during the year. Consequently, I was unable to determine the full extent of the misstatement to the property rates stated at R14 806 613 in note 25 to the financial statements, as it was impracticable to do so. Additionally, there was an impact on the deficit for the year and the accumulated surplus. My audit opinion on the financial statements for the period ended 30 June 2024 was modified accordingly. My opinion on the current year’s

financial statements is also modified because of the possible effect of this matter on the comparability of the property rates for the current period.

Employee related costs

42. I was unable to obtain sufficient appropriate audit evidence for employee costs due to material reconciling differences identified between the payroll data and the general ledger. I was unable to confirm the employee related costs by alternative means. Consequently, I was unable to determine whether any adjustment was necessary to employee related costs stated at R100 069 615 (2024: R91 743 953) in note 27 to the financial statements.

Statement of changes in net assets

43. The municipality did not correctly prepare and disclose the statement of changes in net assets as required by GRAP 1, *Presentation of financial statements*. This was due to multiple errors identified in determining the current and prior year's balances reported in the statement of changes in net assets. Consequently, I was unable to determine the full extent of the errors to the statement of changes in net assets, as it was impracticable to do so.

Contracted services

44. During 2024, I was unable to obtain sufficient appropriate audit evidence for contracted services, due to information not being submitted to confirm that contracted services were only recognised where the goods and services were received and utilised. I was unable to confirm the contracted services by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the contracted services stated at R17 758 573 in note 34 to the financial statements. My audit opinion on the financial statements for the period ended 30 June 2024 was modified accordingly. My opinion on the current year's financial statements is also modified because of the possible effect of this matter on the comparability of the contracted services for the current period.

Cash and cash equivalents

45. I was unable to obtain sufficient appropriate audit evidence for cash and cash equivalents due to unreconciled material differences between the cash and cash equivalents recorded in the financial statements, balance per the bank statements and the cash book. I was unable to confirm the cash and cash equivalents by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to cash and cash equivalents, stated at R2 235 954 (2024: R1 385 344) in note 8 to the financial statements.

Inventories

46. During 2024, I was unable to obtain sufficient appropriate audit evidence for the inventories due to the non-submission of information in support of these inventories. I was unable to confirm the inventories by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the inventories stated at R3 118 786 in note 3 to the financial statements. My audit opinion on the financial statements for the period ended 30 June 2024 was modified accordingly. My opinion on the current year's financial statements

is also modified because of the possible effect of this matter on the comparability of the inventories for the current period.

Employee benefit obligation

47. The municipality did not account for the employee benefit obligation in accordance with GRAP 25, *Employee benefits,* as differences were identified between the amounts recorded in the financial statements and the auditor's recalculations. Consequently, I was unable to determine the full extent of the misstatements to the employee benefit obligations stated at R25 971 000 in note 15 to the financial statements and employee related costs stated at R100 069 615 in note 27 to the financial statements, as it was impracticable to do so. Additionally, there was an impact on the deficit of the year and the accumulated surplus.

Provisions

48. The municipality did not account for provisions in accordance with GRAP 19, *Provisions, contingent liabilities and contingent assets,* as the municipality did not calculate the provision in accordance with the best estimate of the costs to rehabilitate landfill sites in the future. Consequently, the provisions in note 18 to the financial statements were understated by R5 042 370, and the infrastructure assets included in property, plant and equipment in note 11 to the financial statements were understated by the same amount. Additionally, there was an impact on depreciation and amortisation, the deficit for the year and the accumulated surplus.

Bulk purchases

49. During 2024, I was unable to obtain sufficient appropriate audit evidence for bulk purchases due to the non-submission of information in support of these bulk purchases. I was unable to confirm the bulk purchases by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the bulk purchases stated at R44 290 363 in note 33 to the financial statements. My audit opinion on the financial statements for the period ended 30 June 2024 was modified accordingly. My opinion on the current year's financial statements is also modified because of the possible effect of this matter on the comparability of the bulk purchases for the current period.

Accounting by principals and agents

50. The municipality did not correctly account for the principal-agent transactions for the current and corresponding years in accordance with GRAP 109, *Accounting by principal and agents,* as the municipality did not recognise and disclose all principal and agent relationships entered into, as required by the accounting standard. Consequently, I was unable to determine the full extent of the misstatements to the accounting by principals and agent disclosure included in note 51 to the financial statements for the current and prior years, as it was impracticable to do so.

Statement of comparison of budget and actual amounts

51. The municipality did not correctly prepare and disclose the statement of comparison of budget and actual amounts, as required by GRAP 24, *Presentation of budget information in financial statements*. This was because the municipality used the incorrect final budget figures in the

statement of comparison of budget and actual amounts, resulting in multiple errors being identified. Consequently, I was unable to determine the full extent of the misstatements to the statement of comparison of budget and actual amounts and budget differences in note 53 to the financial statements, as it was impracticable to do so.

Prior period errors

52. I was unable to obtain sufficient appropriate audit evidence for the prior period errors due to the non-submission of information in support of these prior period error disclosures. I was unable to confirm the prior period errors by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to the prior errors disclosed in note 49 to the financial statements.

Segment reporting

53. The municipality did not accurately disclose segment information in accordance with GRAP 18, *Segment reporting*. This was because multiple errors were identified in the total segment revenue, total segment expenditure included in the segment surplus or deficit, total segment assets and total segment liabilities included in the segment information disclosure. I was not able to determine the full extent of misstatements to the total segment revenue stated at R246 148 399 (2024: R246 149 399), total segment expenditure stated at R64 644 355 (2024: R277 121 049), total segment assets stated at R1 522 752 473 (2024: R1 569 858 618) and total segment liabilities stated at R267 293 333 (2024: R453 996 332) in note 52 to the financial statements, as it was impractical to do so.

Financial instruments disclosure

54. The municipality did not correctly disclose its financial liabilities included in the financial instruments' disclosure in notes 39 and 42 to the financial statements in accordance with GRAP 104, *Financial instruments*. This was due to material differences identified between the amounts disclosed for financial liabilities in note 39 to the financial statements and the amounts recorded in the statement of financial position. Furthermore, the municipality did not correctly define the market risk and interest risk in note 42, as required by the accounting standard. Consequently, I was unable to determine the full extent of misstatements to the financial liabilities disclosed in note 39 and risk management in note 42 to the financial statements, as it was impracticable to do so.

Additional disclosure in terms of Municipal Finance Management Act

55. I was unable to obtain sufficient appropriate audit evidence for the water distribution losses and electricity distribution losses included in the additional disclosure in terms of the MFMA in note 48 to the financial statements, due to adjustments processed without adequate supporting information in note 48 to the financial statements. I was unable to confirm these disclosures by alternative means. Consequently, I was unable to determine whether any adjustments were necessary to water distribution losses and electricity distribution losses included in note 48 to the additional disclosure in terms of the MFMA stated at R7 789 041 (2024: R142 391 511) in note 48 to the financial statements.

56. In addition, the municipality did not correctly disclose the amount for medical and pension funds in terms of the MFMA in note 48 due to differences identified between the statements and the information per the financial statements. Consequently, pension and medical aid funds were understated by R11 909 105 in note 48 to the financial statements. I was unable to determine the full extent of the understatement to the pension and medical aid funds as it was impracticable to do so.

Other matter

57. I draw attention to the matter below. My opinion is not modified in respect of this matter.

Unaudited disclosure notes

58. In terms of section 125(2)(e) of the MFMA, the particulars of non-compliance with the MFMA should be disclosed in the financial statements. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion on it.

Responsibilities of the accounting officer for the financial statements

59. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework and the requirements of the applicable legislation; and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

60. In preparing the financial statements the accounting officer is responsible for assessing the municipality's ability to continue as a going concern; disclosing, as applicable, matters relating to going concern; and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

Responsibilities of the auditor-general for the audit of the financial statements

61. My responsibility is to conduct an audit of the financial statements in accordance with the International Standards on Auditing (ISAs) and to issue an auditor's report. However, because of the matters described in the basis for disclaimer of opinion section of this auditor's report, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

62. I am independent of the municipality in accordance with the International Ethics Standards Board for Accountants' *International code of ethics for professional accountants (including International Independence Standards)* (IESBA code), as well as the other ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA code.

Report on the annual performance report

63. In accordance with the Public Audit Act 25 of 2004 (PAA) and the general notice issued in terms thereof, I must audit and report on the usefulness and reliability of the reported

performance information against predetermined objectives for the selected material performance indicators presented in the annual performance report. The accounting officer is responsible for the preparation of the annual performance report.

64. I selected the following material performance indicators related to basic service delivery and infrastructure development presented in the annual performance report for the year ended 30 June 2025. I selected those indicators that measure the municipality's performance on its primary mandated functions and that are of significant national, community or public interest.

    - The completion of the 27km raw bulk water pipeline from the Orange River to Paisley dam in Rouxville
    - The construction of an abstraction works on the Orange River and the equipping of x2 raw water pump stations in Rouxville
    - The completion of the Rouxville - Roleleathunya Water Treatment Works (WTW)
    - Upgrading of the Zastron WTW phase 2
    - Submission of 44 water quality samples to the accredited laboratory
    - Measures of purified water in all three towns
    - Upgrading the Zastron outfall sewer line and wastewater pump station
    - Zastron/Matlakeng: the refurbishment of the wastewater treatment works (WWTW)
    - Zastron/Matlakeng: the construction of a sewer network in Refengkhotso for 900 erven (MIS: 507068)
    - Smithfield/Mofulatshepe: the upgrading of the outfall sewer
    - Submission of 20 wastewater quality samples to the accredited laboratory
    - Smithfield/Mofuatshepe: construction of 1km access road with related storm water in Green Fields – phase 1 (MIS425809)
    - Smithfield/Mofulatshepe: construction of 1km access road with related storm water in Green Fields – phase 2
    - Electrification of 300 households (HH) in Smithfield

65. I evaluated the reported performance information for the selected material performance indicators against the criteria developed from the performance management and reporting framework, as defined in the general notice. When an annual performance report is prepared using these criteria, it provides useful and reliable information and insights to users on the municipality's planning and delivery on its mandate and objectives.

66. I performed procedures to test whether:

- the indicators used for planning and reporting on performance can be linked directly to the municipality's mandate and the achievement of its planned objectives
- all the indicators relevant for measuring the municipality's performance against its primary mandated and prioritised functions and planned objectives are included
- the indicators are well defined to ensure that they are easy to understand and can be applied consistently, as well as verifiable so that I can confirm the methods and processes to be used for measuring achievements
- the targets can be linked directly to the achievement of the indicators and are specific, time bound and measurable to ensure that it is easy to understand what should be delivered and by when, the required level of performance as well as how performance will be evaluated
- the indicators and targets reported on in the annual performance report are the same as those committed to in the approved initial or revised planning documents
- the reported performance information is presented in the annual performance report in the prescribed manner
- there is adequate supporting evidence for the achievements reported and measures taken to improve performance.

67. I performed the procedures to report material findings only; and not to express an assurance opinion or conclusion.
68. I did not identify any material findings on the reported performance information for the selected indicators:
    - The completion of the 27km raw bulk water pipeline from the Orange River to Paisley dam in Rouxville
    - The construction of an abstraction works on the Orange River and the equipping of x2 raw water pump stations in Rouxville
    - The completion of the Rouxville - Roleleathunya WTW
    - Upgrading of the Zastron WTW phase 2
    - Submission of 44 water quality samples to the accredited laboratory
    - Smithfield/Mofulatshepe: construction of 1km access road with related storm water in Green Fields – phase 2
    - Electrification of 300 households (HH) in Smithfield
69. The material findings on the reported performance information for the selected material indicators are as follows:

Smithfield/Mofulatshepe: construction of 1 km access road with related storm water in Green Fields – phase 1

70. An achievement of achieved was reported against a target of 1km1 km paved access road completed by June 2025. However, the audit evidence showed the actual achievement to be

only a design report, which does not align to the target of the indicator. Consequently, the target was not achieved.

Various indicators

71. Various indicators and their targets were not defined during the planning process. Consequently, the indicators and their targets are not useful for measuring and reporting on progress against the municipality's planned objectives.

Indicator	Target	Reported achievements	Detail
Measures of purified water in all 3 towns	2 190 million litres (Ml) of purified wate	Not achieved 1 345ml of purified water	There is no indication of the specific time as to when the indicator is anticipated to be achieved
Upgrading of the Zastron outfall sewer line and wastewater pump station	Practical completion of the project by 30 September 2024	Not achieved	The indicator did not specify what is required to be upgraded
Submission of 20 wastewater quality samples to the accredited laboratory	Maintain dignified sanitation and submission of 20 wastewater quality samples to meet wastewater	Not achieved 5 samples submitted	There is no indication of the specific time as to when the indicator is anticipated to be achieved

Other matters

73. I draw attention to the matters below.

Achievement of planned targets

74. The annual performance report includes information on reported achievements against planned targets and provides measures taken to improve performance. This information should be considered in the context of the material findings on the reported performance information.

75. The table that follows provides information on the achievement of planned targets and lists the key service delivery indicators that were not achieved as reported in the annual performance report. The reasons for measures taken to improve performance are included in the annual performance report on pages xx to xx.

Basic service delivery and infrastructure development

Targets achieved: 21%		
Key service delivery indicator not achieved	**Planned target**	**Reported achievement**
The completion of the 27km raw bulk water pipeline from the Orange River to Paisley dam in Rouxville	Practical completion of the project by 30 September 2024	Not achieved
The construction of an abstraction works on the Orange River and the	Re-establishment of the contractor by June 2025	Not achieved

Targets achieved: 21%		
Key service delivery indicator not achieved	**Planned target**	**Reported achievement**
equipping of x2 raw water pump stations in Rouxville		
Electrification of 300 households (HH) in Smithfield	Electrification of 300 households in Smithfield by June 2025	Not achieved
Submission of 20 wastewater quality samples to the accredited laboratory	Maintain dignified sanitation and submission of 20 wastewater quality samples to meet wastewater	Not achieved
Smithfield/Mofulatshepe: the upgrading of the outfall sewer	Practical completion (7 548m of pipe to be laid and completed) of the project by June 2025	Not achieved
Zastron/Matlakeng: the refurbishment of the WWTW	Practical completion of the project by December 2025	Not achieved
Upgrading of the Zastron outfall sewer line and wastewater pump station	Practical completion of the project by 30 September 2024	Not achieved
Zastron/Matlakeng: the construction of a sewer network in Refengkhotso for 900 erven (MIS:507068)	Practical completion of the project by 30 September 2024	Not achieved
Submission of 44 water quality samples to the accredited laboratory	Submission of 44 water quality samples to the laboratory to meet drinking water monitoring plan June 2025	Not achieved
Measures of purified water in all 3 towns	2 190 million litres (Ml) of purified water	Not achieved
The completion of the Rouxville - Roleleathunya WTW	Practical completion of the project by 31 December 2024	Not achieved

Material misstatements

76. I identified preventable material misstatements in the annual performance report submitted for auditing. These material misstatements were in the reported performance information for basic service delivery and infrastructure development. Management did not correct all the misstatements, and I reported material findings in this regard.

Report on compliance with legislation

77. In accordance with the PAA and the general notice issued in terms thereof, I must audit and report on compliance with applicable legislation relating to financial matters, financial management and other related matters. The accounting officer is responsible for the municipality's compliance with legislation.

78. I performed procedures to test compliance with selected requirements in key legislation in accordance with the findings engagement methodology of the Auditor-General of South Africa (AGSA). This engagement is not an assurance engagement. Accordingly, I do not express an assurance opinion or conclusion.

79. Through an established AGSA process, I selected requirements in key legislation for compliance testing that are relevant to the financial and performance management of the municipality, clear to allow consistent measurement and evaluation, while also sufficiently detailed and readily available to report in an understandable manner. The selected legislative requirements are included in the annexure to this auditor's report.

80. The material findings on compliance with the selected legislative requirements, presented per compliance theme, are as follows:

Strategic planning and performance management

81. The performance management system and related controls were not maintained as it did not describe how the performance planning, monitoring, measurement, review, reporting processes should be managed, as required by municipal planning and performance management regulation 7(1).

Human resource management

82. I was unable to obtain sufficient appropriate audit evidence that financial interests were disclosed by the senior managers within 60 days from the date of appointment, as required by regulation 36(1)(a) on appointment and conditions of employment of senior managers.

83. The senior managers did not sign performance agreements within the prescribed period, as required by section 57(2)(a) of the Municipal Systems Act 32 of 2000 (MSA).

Conditional grants

84. I was unable to obtain sufficient appropriate audit evidence that the regional bulk infrastructure grant was spent for its intended purposes in accordance with the applicable grant framework, as required by section 16(1) of the Division of Revenue Act 24 of 2024 (Dora).

85. Performance in respect of programmes funded by the regional bulk infrastructure grant was not evaluated within two months after the end of the financial year, as required by section 12(5) of the Dora.

86. The water services infrastructure grant was not spent for its intended purposes in accordance with the applicable grant framework, as required by section 16(1) of the Dora.

87. Performance in respect of programmes funded by the water services infrastructure grant was not evaluated within two months after the end of the financial year, as required by section 12(5) of the Dora.
88. Performance in respect of programmes funded by the integrated national electrification programme was not evaluated within two months after the end of the financial year, as required by section 12(5) of the Dora.
89. Performance in respect of programmes funded by the expanded public works programme was not evaluated within two months after the end of the financial year, as required by section 12(5) of the Dora.
90. Performance in respect of programmes funded by the financial management grant was not evaluated within two months after the end of the financial year, as required by section 12(5) of the Dora.

Annual financial statements, annual performance report and annual report

91. The financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements identified by the auditors in the submitted financial statements were not adequately corrected and the supporting records could not be provided subsequently, which resulted in the financial statements receiving a disclaimer of audit opinion.
92. The 2023-24 annual report was not tabled in the municipal council after the end of the financial year, as required by section 127(2) of the MFMA.

Revenue management

93. An adequate management, accounting and information system, which accounts for revenue, debtors and receipt of revenue was not in place, as required by section 64(2)(e)(i)(ii)(iii) of the MFMA.
94. An effective system of internal control for debtors and revenue was not in place, as required by section 64(2)(f) of the MFMA.
95. I was unable to obtain sufficient appropriate audit evidence that revenue due to the municipality was calculated on a monthly basis, as required by section 64(2)(b) of the MFMA.
96. I was unable to obtain sufficient appropriate audit evidence that accounts for municipal tax and charges were prepared on a monthly basis as required by section 64(2)(c) of the MFMA.

Asset management

97. An adequate management, accounting and information system, which accounts for assets was not in place, as required by section 63(2)(a) of the MFMA.
98. An effective system of internal control for assets (including an asset register) was not in place, as required by section 63(2)(c) of the MFMA.
99. An investment policy was not adopted by the council, as required by section 13(2) of the MFMA and municipal investment regulation 3(1)(a).

Expenditure management

100. Reasonable steps were not taken to ensure that money owed by the municipality was always paid within 30 days, as required by section 65(2)(e) of the MFMA.

101. Payments and withdrawals were made from the municipality's bank accounts without the approval of the accounting officer, as required by section 11(1) of the MFMA.

102. Reasonable steps were not taken to ensure that the municipality implements and maintains an effective system of expenditure control, including procedures for the approval, as required by section 65(2)(a) of the MFMA.

103. An adequate management, accounting and information system was not in place, which recognised expenditure when it was incurred, as required by section 65(2)(b) of the MFMA.

104. Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA. The full extent of the irregular expenditure could not be quantified. The majority of the irregular expenditure was due to non-compliance with the procurement prescripts.

105. Reasonable steps were not taken to prevent fruitless and wasteful expenditure, as required by section 62(1)(d) of the MFMA. The full extent of the fruitless and wasteful expenditure could not be quantified. The majority of the fruitless and wasteful expenditure was caused by interest and penalties incurred due to late payments made.

106. Reasonable steps were not taken to prevent unauthorised expenditure, as required by section 62(1)(d) of the MFMA. The full extent of the unauthorised expenditure could not be quantified. The majority of the unauthorised expenditure was caused by overspending on the budget for multiple votes.

Procurement and contract management

107. Some of the goods and services within the prescribed transaction value for competitive bids were procured without inviting competitive bids, as required by SCM regulation 19(a).

108. Sufficient appropriate audit evidence could not be obtained that bid specifications were unbiased and allowed all potential suppliers to offer their goods or services, as required by SCM regulation 27(2)(a).

109. Some of the invitations for competitive bidding were not advertised for a required minimum period of days, in contravention of SCM regulations 22(1) and 22(2).

110. Sufficient appropriate audit evidence could not be obtained that contracts were awarded only to bidders who submitted a declaration on whether they were employed by the state or connected to any person employed by the state, as required by SCM regulation 13(c). Similar non-compliance was reported in the prior year.

111. The preference point system was not applied for some of the procurement of goods and services, as required by section 2(1)(a) of the Preferential Procurement Policy Framework Act 5 of 2000. Similar non-compliance was also reported in the prior year.

112. Sufficient appropriate audit evidence could not be obtained that the performance of contractors or providers was monitored on a monthly basis, as required by section 116(2) of the MFMA. Similar non-compliance was reported in the prior year.

113. Sufficient appropriate audit evidence could not be obtained that contract performance and monitoring measures were in place to ensure effective contract management, as required by section 116(2)(c)(ii) of the MFMA. Similar limitation was reported in the prior year.

114. Sufficient appropriate audit evidence could not be obtained that contracts were extended or modified with the approval of a properly delegated official, as required by SCM regulation 5.

Consequence management

115. Unauthorised expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(a) of the MFMA.

116. Irregular expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA.

117. Fruitless and wasteful expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(b) of the MFMA

118. Losses resulting from irregular expenditure were certified by council as irrecoverable without having conducted an investigation to determine the recoverability of the expenditure, in contravention of section 32(2)(b) of the MFMA.

119. Fruitless and wasteful expenditure were certified by council as irrecoverable without having conducted an investigation to determine the recoverability of the expenditure, in contravention of section 32(2)(b) of the MFMA.

120. Allegations of financial misconduct laid against officials of the municipality were not investigated by the disciplinary board, relevant treasury or an independent investigator or team of investigators appointed by council, as required by municipal regulations on financial misconduct procedures and criminal proceedings 5(4).

Governance and oversight

121. The internal audit unit did not advise the accounting officer and did not report to the audit committee on the implementation of the internal audit plan on matters relating to compliance with the MFMA, Dora, and any other applicable legislation, as required by section 165(2)(b)(vii) of the MFMA.

122. The audit committee did not review the quarterly reports submitted by the internal auditors on the audits of performance measurement, as required by regulation 14(4)(a)(i) on Municipal Planning and Performance Management.

123. The audit committee did not submit an audit report on the review of the performance management system to the council at least twice during a financial year, as required by regulation 14(4)(a)(iii) on Municipal Planning and Performance Management.

Other information in the annual report

124. The accounting officer is responsible for the other information included in the annual report. The other information referred to does not include the financial statements, the auditor's report and those selected material indicators in the scoped-in KPA presented in the annual performance report that have been specifically reported on in this auditor's report.

125. My opinion on the financial statements and my reports on the audit of the annual performance report and compliance with legislation do not cover the other information included in the annual report and I do not express an audit opinion or any form of assurance conclusion on it.

126. My responsibility is to read this other information and, in doing so, consider whether it is materially inconsistent with the financial statements and the selected material indicators in the scoped-in KPA presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

127. I did not receive the other information prior to the date of this auditor's report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected, this will not be necessary.

Internal control deficiencies

128. I considered internal control relevant to my audit of the financial statements, annual performance report and compliance with applicable legislation; however, my objective was not to express any form of assurance on it.

129. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the disclaimer of opinion and the findings on the selected material indicators included in the annual performance report and the material findings on compliance with legislation included in this report.

130. There was significant instability in the senior management of the municipality, including specifically the position of municipal manager and chief financial officer. The instability resulted in ineffective oversight, which contributed to unreliable financial and performance reporting and weaknesses in the daily and monthly internal control environment, resulting in a repeat disclaimer of audit opinion. The Municipal Accounts Committee did not ensure that investigations are conducted relating to unauthorised, irregular and fruitless and wasteful expenditure to ensure that the responsible officials are held accountable, as they were non-functional during the year.

131. The accounting officer did not adequately safeguard supporting documents and did not implement, monitor or control the processes for effective records management. The lack of availability of supporting evidence resulted in the auditors not being able to confirm account balances, classes of transactions, disclosures and reported performance information, which contributed to the disclaimer of audit opinion.

132. The accounting officer and senior management did not ensure that there was appropriate monitoring of the projects being completed by the municipality, as suppliers were appointed for work not adequately performed, resulting in material irregularities being identified for work paid for but not completed.

133. The council did not ensure that adequate progress was made in relation to the audit action plan, as the recommendations of the external audit, the internal audit and the audit committee were not adequately implemented.

134. The internal audit and audit committee did not ensure that adequate progress was made on the audit action plan and did not ensure that progress was made to reduce the repeat findings identified from the prior year.

135. The municipal public accounts committee did not ensure that there is adequate consequence management at the municipality by ensuring that adequate investigations related to unauthorised, irregular and fruitless and wasteful expenditure are conducted to ensure that responsible officials are held accountable.

Material irregularities

136. In accordance with the PAA and the Material Irregularity Regulations, I have a responsibility to report on material irregularities identified during the audit and on the status of material irregularities as previously reported in the auditor's report.

Material irregularities identified during the audit

137. The material irregularities identified are as follows:

Effective, efficient and transparent internal control system over bank reconciliations was not maintained

138. The municipality developed and implemented the Bank, Investment and Cash Management Policy, of which the objective is to ensure that the municipality's cash resources are managed effectively and efficiently. This policy describes various cash management and investment controls; however, it does not contain a specific clause mandating frequent and timely bank reconciliations. It was identified that since December 2022, the municipality has not been performing bank reconciliations on a regular basis. For both the 2022-23 and 2023-24 financial years, the municipality was unable to provide sufficient appropriate audit evidence for cash and cash equivalents disclosed in the financial statements due to unreconciled material differences. The accounting officer therefore did not take all reasonable steps to ensure that the municipality maintains effective, efficient and transparent internal control system over bank reconciliations, as required by section 62(1)(c)(i) of the MFMA.

139. Not performing regular bank reconciliations (including documenting, investigating and clearing differences and reconciling items) may result in the financial records of the municipality not being accurate and complete and therefore not being able to accurately account for its financial performance. It undermines the reliability of the cash balances disclosed in the financial statements and reported in the in-year reports, which are used by oversight and

decision-makers. The non-compliance is therefore likely to result in substantial harm to the municipality if appropriate actions are not taken to ensure that bank reconciliations are performed regularly based on clearly documented procedural processes.

140. The accounting officer was notified of this material irregularity on 27 October 2025 and invited to make a written submission on the actions taken and that will be taken to address the matter. The accounting officer did not take appropriate action to resolve the material irregularity. I am in the process of making a decision on further actions to be taken.

Effective, efficient and transparent internal control system over creditor's reconciliations was not maintained

141. Section 62(1)(c)(i) of the MFMA states: "The accounting officer of a municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control."

142. The subsequent cessation of performing frequent creditors reconciliations after the CFO was suspended, coupled with the lack of documented internal controls over creditor's reconciliations, indicates that the accounting officer did not ensure that the municipality has and maintains effective, efficient and transparent system of internal control over bank reconciliations as required by section 62(1)(c)(i) of the MFMA.

143. Not performing regular creditor's reconciliations (including documenting, investigating and clearing differences and reconciling items) may result in the financial records of the municipality not being accurate and complete and therefore not being able to accurately account for its financial performance. For both the 2022-23 and 2023-24 financial years, the auditors were unable obtain sufficient appropriate audit evidence for trade payables disclosed in the financial statements due to insufficient documentation obtained.

144. The accounting officer was notified of this material irregularity on 11 November 2025 and invited to make a written submission on the actions taken and that will be taken to address the matter. The accounting officer did not take appropriate action to resolve the material irregularity. I am in the process of making a decision on further actions to be taken.

Status of previously reported material irregularities

Pension fund contributions of employees not paid over to the pension funds

145. Section 13A(3)(a)(ii) of the Pension Funds Act 24 of 1956 (PFA), requires the municipality as employer to pay over the contributions relating to the members of the fund within seven days after the end of the month for which such a contribution is payable. The municipality did not make payments to the South African Municipal Workers Retirement Fund (MWRF) and the South African Local Authorities (SALA) pension fund within seven days after the end of the month during which the contributions became payable. On 30 June 2024, the total outstanding contributions, including accumulated interest, payable to SALA was R108 072 876,72 and to MWRF was R8 405 935,36.

146. The non-payment of employee’s pension fund contributions is likely to negatively impact the livelihood of the current employees, retired employees as well as family members of deceased employees as follows:

- Retired employees not receiving their monthly pension income although deductions were made from their salaries while employed.
- Family members of deceased employees not receiving the benefits that should have accrued to them in terms of the pension fund rules.
- Current employees not being able to perform adequate financial planning as pension fund statements are withheld and employees also do not have the certainty that they will receive a monthly income when retiring. Employees can also not make alternative arrangements as the municipality is still deducting monthly pension fund contributions from their salaries.

147. The accounting officer was notified of the material irregularity on 18 June 2024 and invited to make a written submission on the actions taken and that will be taken to address the matter. The accounting officer did not take appropriate action to resolve the material irregularity. I referred the material irregularity to the Directorate for Priority Crime Investigation (DPCI) on 30 April 2025 for investigation as provided for in section 5(1A) of the PAA. The referral was acknowledged by DPCI on 30 April 2025, and the investigation is currently in progress. I further notified the accounting officer on 6 February 2025 of the following recommendations, which should have been implemented by 6 August 2025, with a progress report after three months:

a) Appropriate action should be taken to develop and commence with implementation of an action plan to settle non-payment of pension fund contributions within the prescribed timeframes, as required by section 13A(3)(a)(ii) of the PFA. The plan should include anticipated timeframes and address the following key areas as a minimum:

- Negotiate a reasonable payment agreement with the pension fund to settle the arrears of contributions not remitted with interest.
- Develop and implement reasonable processes to ensure that the municipality remits monthly employee pension fund contributions to the relevant pension fund within the legislated timeframes.

148. The accounting officer has not adequately implemented the above recommendations. I notified the accounting officer on 26 November 2025 of the following remedial actions to address the material irregularity, which must be implemented by 26 March 2026 with a progress report after two months:

a) Appropriate action must be taken to develop and commence with implementation of an action plan to settle non-payment of pension fund contributions within the prescribed timeframes, as required by section 13A(3)(a)(ii) of the PFA. The plan must include anticipated timeframes and address the following key areas as a minimum:

- The negotiation of a reasonable payment agreement with all relevant pension fund to settle the arrears of contributions not remitted with interest.

- The development and implementation of processes to ensure that the municipality remits monthly employee pension fund contributions to the relevant pension fund within the legislated timeframes.

149. I will follow-up on the implementation of the remedial action after the due date.

The construction of a 27km bulk raw water pipeline from the Orange River to the Paisley Dam – payment processed without certification that services were delivered

150. During August 2018, the municipality appointed a contractor for the project The construction of a 27km bulk raw water pipeline from the Orange River to the Paisley Dam in Rouxville, at a cost of R47 774 261 (inclusive of VAT and contingencies) to complete the project. During site visits conducted in January 2023 and in January 2024, it was identified that while the pipework was constructed for the overall required length, the completed works was not tested although R1 362 500 had been paid for testing the pipeline. The payment certificate was processed and paid even though the certification/approval by the head of the relevant department, as required by paragraph 2 of part 13 of the municipality's Banking, Investment and Cash Management Policy was not done. Consequently, the official(s) who process the certificate for payment had not ensured that the internal controls of the municipality regarding payments were carried our diligently, as required by section 78(1)(a) of the MFMA. The irregularity is likely to result in a financial loss for the municipality, if payments made for services not delivered are not recovered from the contractor.

151. The accounting officer was notified of the material irregularity on 26 June 2024 and invited to make a written submission on the actions taken and that will be taken to address the matter. The accounting officer did not take appropriate action to resolve the material irregularity. I notified the accounting officer on 3 December 2024 of the following recommendations, which should have been implemented by 3 June 2025, with a progress report after three months:

    - The non-compliance should be investigated to determine if any official might have committed an act of financial misconduct or an offence in terms of chapter 15 of the MFMA.
    - The financial loss in the form of overpayments should be quantified, and appropriate action should commence to recover the loss from the supplier.
    - Disciplinary proceedings should commence, without undue delay, against all officials who have allegedly committed an act of financial misconduct or an offence, as required by section 62(1)(e) of the MFMA and the manner prescribed by the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.
    - If a senior manager of the municipality has allegedly committed an act of financial misconduct, the accounting officer must report the allegation to the municipal council, the provincial treasury and the National Treasury, as required by regulation 3(1) of the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.

152. The accounting officer has not adequately implemented the above recommendations. I notified the accounting officer on 26 August 2025 of the following remedial actions to address the material irregularity, which must be implemented by 26 January 2026 with a progress report after two months:

- The non-compliance must be investigated to determine if any official might have committed an act of financial misconduct or an offence in terms of chapter 15 of the MFMA.
- The financial loss in the form of overpayments must be quantified, and appropriate action must commence to recover the loss from the supplier.
- Disciplinary proceedings must commence, without undue delay, against all officials who have allegedly committed an act of financial misconduct or an offence, as required by section 62(1)(e) of the MFMA and the manner prescribed by the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.
- If a senior manager of the municipality has allegedly committed an act of financial misconduct, the accounting officer must report the allegation to the municipal council, the provincial treasury and the National Treasury, as required by regulation 3(1) of the Municipal Regulations on Financial Misconduct Procedures and Criminal Proceedings.

153. I will follow-up on the implementation of the remedial action after the due date.

Suspected material irregularity: The construction of the abstraction works on the Orange River and equipping of two raw water pump stations – payment processed without certification that services were delivered

154. The municipality appointed a contractor during November 2019 for the project The construction of the abstraction works on the Orange River and the equipping of two raw water pump stations, at the contract amount of R38 125 166,32 (inclusive of VAT and contingencies). During a site visit conducted in January 2024, it was identified that the contractor was no longer on site and that some of the works, which was paid for, had not been completed and thus could not be verified. The contractor was paid R8 728 000 for supply and installation of pumps and steel tanks that could not be verified.

155. The municipality was not able to provide the payment vouchers where the above amounts were claimed by the contractor, and which were subsequently paid by the municipality. There is a reasonable suspicion that the payments were processed without the required approvals as set out in paragraph 2 of part 13 of the municipality's Banking, Investment and Cash Management Policy, and consequently that the internal controls over payments had not been carried out diligently, as required by section 78(1)(a) of the MFMA. The suspected irregularity is likely to result in a financial loss for the municipality, if payments made for services not delivered are not recovered from the contractor.

156. The accounting officer was notified of the suspected material irregularity on 26 June 2024 and invited to make a written submission on the actions taken and that will be taken to address the matter. The accounting officer did not take appropriate action to resolve the suspected material irregularity. I referred the suspected material irregularity to the DPCI on 15 April 2025

for investigation, as provided for in section 5(1A) of the PAA. The referral was acknowledged by DPCI on 30 April 2025, and the investigation is currently in progress.

Auditor - General.

Bloemfontein

27 January 2026

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Annexure to the auditor's report

1. The annexure includes the following:

   - The auditor-general's responsibility for the audit
   - The selected legislative requirements for compliance testing

Auditor-general's responsibility for the audit

Professional judgement and professional scepticism

2. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements and the procedures performed on reported performance information for selected material performance indicators and on the municipality's compliance with selected requirements in key legislation.

Financial statements

3. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

   - identify and assess the risks of material misstatement of the financial statements whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
   - obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control
   - evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made
   - conclude on the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists relating to events or conditions that may cast significant doubt on the ability of the municipality to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify my opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a municipality to cease operating as a going concern
   - evaluate the overall presentation, structure and content of the financial statements including the disclosures, and determine whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Communication with those charged with governance

4. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

5. I also provide the accounting officer with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and, where applicable, actions taken to eliminate threats or safeguards applied.

Compliance with legislation – selected legislative requirements

6. The selected legislative requirements are as follows:

Selected legislation and regulations	Consolidated firm level requirements
Municipal Finance Management Act 56 of 2003	Sections: 1, 11(1), 13(2), 14(1), 14(2)(a), 14(2)(b), Sections:15, 24(2)(c)(iv), 28(1), 29(1), 29(2)(b), Sections: 32(2), 32(2)(a), 32(2)(a)(i), 32(2)(a)(ii), Sections: 32(2)(b), 32(6)(a), 32(7), 33(1)(c)(ii), Sections: 53(1)(c)(ii), 53(1)(c)(iii)(bb), 54(1)(c), Sections: 62(1)(d), 63(2)(a), 63(2)(c), 64(2)(b), Sections: 64(2)(c), 64(2)(e), 64(2)(f), 64(2)(g), Sections: 65(2)(a), 65(2)(b), 65(2)(e), 72(1)(a)(ii), Sections:112(1)(j), 116(2)(b), 116(2)(c)(ii), 117, Sections: 122(1), 122(2), 126(1)(a), 126(1)(b), Sections: 127(2), 127(5)(a)(i), 127(5)(a)(ii), 129(1), Sections: 129(3), 133(1)(a), 133(1)(c)(i), 133(1)(c)(ii), Sections: 165(1), 165(2)(a), 165(2)(b)(ii), Sections:165(2)(b)(iv), 165(2)(b)(v), 165(2)(b)(vii), Sections: 166(2)(b), 166(2)(a)(iv), 166(5), 170, Sections: 171(4)(a), 171(4)(b)
MFMA: Municipal budget and reporting regulations, 2009	Regulations: 71(1)(a), 71(1)(a)(b), 71(2)(a), 71(2)(b), Regulations: 71(2)(d), 72(a), 72(b), 72(c)
MFMA: Municipal Investment Regulations, 2005	Regulations: 3(1)(a), 3(3), 6, 7, 12(2), 12(3)
MFMA: Municipal Regulations on financial Misconduct Procedures and Criminal Proceedings, 2014	Regulations: 5(4), 6(8)(a), 6(8)(b), 10(1)
MFMA: Municipal Supply Chain Management Regulations, 2017	Regulations: 5, 12(1)(c), 12(3), 13(b), 13(c), 16(a), Regulations: 17(1)(a), 17(1)(b), 17(1)(c), 19(a), 21(b), Regulations: 22(1)(b)(i), 22(2), 27(2)(a), 27(2)(e), Regulations: 28(1)(a)(i), 29(1)(a), 29(1)(b), Regulations: 29(5)(a)(ii), 29(5)(b)(i), 32, 36(1), Regulations: 36(1)(a), 38(1)(c), 38(1)(d)(ii), 38(1)(e), Regulations: 38(1)(g)(i), 38(1)(g)(ii), 38(1)(g)(iii), 43, Regulations: 44, 46(2)(e), 46(2)(f)
Construction Industry Development Board Act 38 of 2000	Section: 18(1)
Construction Industry Development Board Regulations, 2004	Regulations: 17, 25(7A)
Division of Revenue Act	Sections: 11(6)(b), 12(5), 16(1); 16(3)
Municipal Property Rates Act 6 of 2004	Section: 3(1)
Municipal Systems Act 32 of 2000	Sections: 25(1), 26(a), 26(c), 26(h), 26(i), 29(1)(b)(ii), Sections: 34(a), 34(b), 38(a), 41(1)(a), 41(1)(b), Sections: 41(1)(c)(ii), 42, Sections: 43(2), 45(a), Sections: 54A(1)(a), 56(1)(a), 57(2)(a), 57(4B), Sections: 57(6)(a), 57A, 66(1)(a), 66(1)(b), 67(1)(d), Sections: 74(1), 96(b)
MSA: Disciplinary Regulations for Senior Managers, 2011	Regulations: 5(2), 5(3), 5(6), 8(4)

MSA: Municipal Planning and Performance Management Regulations, 2001	Regulations: 2(1)(e), 2(3)(a), 3(3), 3(4)(b), 7(1), 8, Regulations: 9(1)(a), 10(a), 12(1), 14(1)(b)(iii), Regulations: 14(1)(c)(ii), 14(4)(a)(i), 14(4)(a)(iii), Regulations: 15(1)(a)(i), 15(1)(a)(ii)
MSA: Municipal Performance Regulations for Municipal Managers and Managers Directly Accountable to Municipal Managers, 2006	Regulations: 2(3)(a), 4(4)(b), 8(1), 8(2), 8(3), 26(5), Regulation: 27(4)(a)(i)
MSA: Regulations on Appointment and Conditions of Employment of Senior Managers, 2014	Regulations: 17(2), 36(1)(a)
MSA: Municipal Staff Regulations	Regulations: 7(1), 19, 31, 35(1)
MSA: Municipal Systems Regulations, 2001	Regulation: 43
Prevention and Combating of Corrupt Activities Act 12 of 2004	Section: 34(1)
Preferential Procurement Policy Framework Act 5 of 2000	Sections: 2(1)(a), 2(1)(f)
Preferential Procurement Regulations, 2017	Regulations: 4(1), 4(2), 5(1), 5(3), 5(6), 5(7), 6(1), Regulations: 6(2), 6(3), 6(6), 6(8), 7(1), 7(2), 7(3), Regulations: 7(6), 7(8), 8(2), 8(5), 9(1), 10(1), Regulations: 10(2),11(1), 11(2)
Preferential Procurement Regulations, 2022	Regulations: 4(1), 4(2), 4(3), 4(4), 5(1), 5(2), 5(3), 5(4)